Audit of market Intermediaries

2305. SHRI UDAY PRATAP SINGH : Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Institute of Company Secretaries of India had submitted memorandum to SEBI to do audit of market intermediaries;

(b) if so, what are the details of recommendations; and

(c) what is the SEBI's response and by when the audit is likely to be started?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) The Securities and Exchange Board of India (SEBI) has informed that the Institute of Company Secretaries of India (ICSI) has not submitted any memorandum to SEBI. However, SEBI has received a letter from ICSI, containing suggestions which *inter-alia* included suggestions for compliance audit of mutual funds, intermediaries and to undertake annual audit of members of stock exchanges, to be carried out by the company secretaries.

(b) On audit of market intermediaries, the ICSI has suggested as follows:

(i) there is need for introducing compliance audit of mutual funds by a practicing Company Secretary to ensure that the violation of norms, legal or otherwise as applicable to mutual funds is detected, prevented and eliminated in order to usher in a new era of good corporate governance.

(ii) to ensure compliance of all statutory requirements by intermediaries, Company Secretaries in practice should be entrusted with the task of certifying the compliance of all laws applicable to intermediaries.

(iii) qualification of Company secretaries should also be recognized for the purposes of audit of members of stock exchanges and for giving certification on the compliance report.

(c) On the suggestion of compliance audit of intermediaries, SEBI is of the view that compliance audit is not a mandatory requirement for the intermediaries, because SEBI has mandated the appointment of a Compliance Officer for all intermediaries who are registered with SEBI. These Compliance Officers have been entrusted with the responsibility of ensuring compliance with the applicable rules, regulations on an ongoing basis. Besides, the status of compliance with SEBI rules and regulations are verified during the periodic inspections of the intermediaries. There is

no requirement of an independent authority certifying compliance. Hence there is no occasion to entrust the task of compliance certification to Company Secretaries.

In regard to the suggestion of annual audit of members of stock exchanges, SEBI has mandated, through a circular, that the annual audit of accounts of active members of stock exchanges is required to be carried out by qualified chartered Accountants. Every active member of stock exchanges is required to submit a copy of the audited annual report to the respective stock exchange. Besides, as most of the capital market intermediaries are corporate entities, they are governed by provisions of Companies Act, 1956 which too mandates annual audit of companies by Chartered Accountants only.

Setting up of Sixth Pay Commission

2306 SHRI S.S. AHLUWALIA: Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to constitute Sixth Pay Commission;

(b) the proposed date for its constitution and mandate;

(c) the dates when the Fifth Pay Commission was constituted, report submitted and implementation of its recommendations;

(d) whether various States had to implement its recommendations too;

(e) the details of increase/decrease in the revenue expenditure indicating its volume and year-on-year percentage of the central and state Governments which were directly attributable to the implementations of the Fifth Pay Commission and

(f) whether States were taken into confidence about the proposed Sixth Pay Commission?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Government is initiating steps to set up Sixth Central Pay Commission (CPC). Its date of constitution and mandate has not been finalized.